VALOR COLLEGIATE ACADEMIES

BASIC FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021

And Reports of Independent Auditor

For the Following Charter Schools:

Valor Collegiate Flagship
Valor Collegiate Voyager

Cherry Bekaert LLP
CPAs & Advisors

VALOR COLLEGIATE ACADEMIES

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VALOR COLLEGIATE ACADEMIES

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

AS OF JUNE 30, 2021

Board of Directors

Malika Anderson	Chairman
Justin Testerman	Secretary
Leslie Johnson	Treasurer
Samar Ali	Board Member
Ben Baden	Board Member
Alex Cortez	Board Member
Rascoe Dean	Board Member
Sylvia Flowers	Board Member
Bob Hannon	Board Member
Michael Harmon	Board Member
Kevin Huffman	Board Member
Brandi Kellett	Board Member
Cristina Muñoz	Board Member
Matthew Nicholson	Board Member

Executive Staff

Todd Dickson	Chief Executive Officer
Thomas Branch	Chief Operating Officer

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Valor Collegiate Academies
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the charter schools comprised of Valor Collegiate Flagship and Valor Collegiate Voyager, collectively, the "Valor Collegiate Academies" as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Valor Collegiate Academies' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Valor Collegiate Academies preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Valor Collegiate Academies internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Valor Collegiate Academies as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Valor Collegiate Academies' basic financial statements. The consolidating balance sheet, consolidating statement of revenues, expenditures, and changes in fund balances of governmental funds, and schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The consolidating balance sheet, consolidating statement of revenues, expenditures, and changes in fund balances of governmental funds, and schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating balance sheet, consolidating statement of revenues, expenditures, and changes in fund balances of governmental funds, and schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Roster of Board of Directors and executive staff has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of Valor Collegiate Academies' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Valor Collegiate Academies' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Valor Collegiate Academies' internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
December 17, 2021

Our discussion and analysis of Valor Collegiate Flagship ("Flagship") and Valor Collegiate Voyager ("Voyager") (collectively, the "Organization") annual financial performance provides an overview of the Organization's financial activities for the year ended June 30, 2021. This section should be read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Organization exceeded its liabilities and deferred inflows of resources by $14,027,012
- Net position increased $6,089,938 during the year
- Outlays for new capital assets totaled $1,674,296
- Total revenues of $29,376,935 were comprised of District Funds – 72%, Federal and State Grants – 13%, and Private Contributions/Other Income – 15% for the year ended June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of a series of financial statements, notes to those statements, required supplementary information, and other information. The statements are organized so that the reader can understand the Organization as a whole and then proceed to a detailed look at specific financial activities of the Organization.

Reporting the Organization as a Whole

The statement of net position and statement of activities:

In general, users of these financial statements want to know if the Organization is better off or worse off as a result of the year's activities. The statement of net position and the statement of activities report information about the Organization as a whole and about the Organization's activities in a manner that helps to answer that question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting. Under the accrual basis, all of the current-year's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 8.

The statement of net position reports the Organization's net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources). Private sector entities would report retained earnings. The Organization's net position balance at year-end represents available resources for future growth. The statement of activities reports the change in net position as a result of activity during the year. Private sector entities have a similar report titled statement of operations, which reports net income. The statement of activities provides the user a tool to assist in determining the direction of the Organization's financial health during the year. Users will want to consider non-financial factors as well as the financial data in arriving at a conclusion regarding the overall health of the Organization.

Reporting the Organization's Funds

Fund Financial Statements:

The Organization's fund financial statements, the balance sheet and the statement of revenues, expenditures, and changes in fund balances of governmental funds, begin on page 10. They provide detailed information about the Organization's most significant funds, not the Organization as a whole. Funds are established by the Organization to help manage money for particular purposes and compliance with various grant provisions.

The Organization's funds are categorized as "governmental funds." Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending in future years. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the government-wide financial statements to report on the Organization as a whole. The relationship between governmental activities, as reported in the statement of net position and the statement of activities, and governmental funds, as reported in the balance sheet and the statement of revenues, expenditures, and changes in fund balances is reconciled in the basic financial statements on pages 11 through 13.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The Organization's assets and deferred outflows of resources exceeded the Organization's liabilities and deferred inflows of resources at the close of the year, resulting in net position of $14,027,012.

As of June 30, 2021, the Organization had invested $34,330,572 in capital assets. This investment includes buildings and improvements, instructional and support furniture, instructional computers for teachers, student computer labs, and maintenance equipment for instructional purposes. The Organization expects additional capital asset investments in the 2021-2022 school year as student enrollment increases at each grade level. With the additional students, there will be continued requirements for furniture, computers, and equipment.

The Organization has purchased its facilities through the issuance of long-term debt. The Organization had $30,361,474 of outstanding debt at June 30, 2021.

Additional information on capital assets is located in the notes to the financial statements.

Changes in Net Position

	2021	2020
Current assets	$ 10,131,617	$ 6,800,630
Restricted assets	331,546	213,340
Capital assets, net	34,330,572	34,052,340
Net pension assets	2,854,371	666,202
TCRS Stabilization Reserve Trust	360,020	-
Total assets	48,008,126	41,732,512
Deferred outflows of resources	1,019,112	890,721
Current liabilities	1,241,606	1,172,994
Long-term debt	30,361,474	30,090,911
Deferred grant revenue	-	1,883,300
Net pension liability	-	718,719
Total liabilities	31,603,080	33,865,924
Deferred inflows of resources	3,397,146	820,235
Net position:		
Net investment in capital assets	4,300,644	4,174,769
Restricted	3,545,937	1,352,862
Unrestricted	6,180,431	2,409,443
Total net position	$ 14,027,012	$ 7,937,074

The Organization's total net position increased $6,089,938 during the year ended June 30, 2021. The increase in the Organization's net position indicates the Organization had more incoming revenues than outgoing expenses during the year. There was an increase of $6.4 million or 42% in district funding compared to an increase of 19% in enrollment during fiscal year 2021. There also was an approximate $2.1 million (237%) increase in federal and state revenues primarily related to the recognition as a gain on forgiveness of the PPP loan of $1,883,300 which was forgiven during fiscal year 2021.

A schedule of the Organization's revenue and expenses is as follows for the years ended June 30:

	2021	2020
Revenues:		
District funding	$ 21,973,963	$ 15,497,017
Contributions	4,040,372	4,133,504
Federal and state funding	3,001,316	890,548
Other	361,284	330,256
	29,376,935	20,851,325
Expenses:		
Salaries, wages, and benefits	15,137,533	12,971,578
Contracted services	2,530,965	2,132,274
Interest expense	1,547,407	1,494,182
Supplies and materials	1,731,321	1,473,396
Depreciation	1,396,064	1,352,265
Equipment and maintenance	658,127	249,000
Insurance	170,335	158,942
Other	115,245	157,590
	23,286,997	19,989,227
Change in net position	$ 6,089,938	$ 862,098

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

The Organization's funds, as presented on the balance sheet on page 10 reported a fund balance of $9,581,577. The Organization is reported as one General Fund representing all operations of the Organization. Due to the different basis of accounting, there is a difference between the amounts reported under the Organization's funds and the amounts reported as school wide. For the June 30, 2021 year-end, the difference consists of capital assets, net pension asset, net pension liability, long-term debt, deferred inflows of resources, and deferred outflows of resources which are not reported in the Organization's General Fund.

ORGANIZATION ACTIVITIES

The Organization exists to prepare a diverse student population for success in college and to empower to live inspired, purposeful lives. It offers a rigorous, college preparatory program in which students of all previous preparation levels will find success. Significant time and resources are invested into programs that develop scholars' social-emotional skills, character strengths, and physical health.

The Organization believes that its diversity makes it strong; that it enrolls families, not just scholars; that everyone deserves the opportunity to fulfill their potential and captain their destinies; that its humanity is found through relationships with others; that greatness comes from having a growth mindset and that effort, more than talent, matters in the end; that social justice is everyone's responsibility; that excellence is a habit developed through perfect practice; that great schools are fueled by joy; that everything can be done with kindness; and that it takes valor to be the best you can be.

WHAT MAKES VALOR UNIQUE?

High-quality academics, with results among the top in the state. Since inception, Valor has ranked in the top 5% for academic achievement in growth across the state. In fall 2019, all of Valor's schools were named Tennessee Rewards Schools for their 2019 state test results, with Voyager and Flagship awarded this honor for the second year in a row. Valor College Prep and Flagship are jointly awarded this honor since they are under the same charter. For the second year in a row, Valor Flagship was ranked #1 in the state in composite growth, out of all 1,300+ schools. Valor Voyager ranked #1 in the state for literacy and numeracy composite growth, and in its first year, Valor College Prep ranked 4th in the state according to end-of-course achievement tests. We do not have any testing data from the 19-20 school year due to the COVID-19 pandemic cancelling state testing.

Designed to support scholars' academic, social, and emotional growth. Our school is built around our Compass model – a human development model that is grounded in the foundational elements of what it means to be human. "Working the Compass" means growing in body, heart, mind, and spirit in pursuit of excellence in every dimension. Scholars belong to Prides – small, intentionally diverse, single-gendered groups – where a mentor teacher guides them through self-directed Compass Phase work that helps them develop their own Inner Compass.

An economically and culturally diverse learning environment. Valor was founded upon the belief that having a truly diverse community of families and learners in a thoughtfully designed model allows for everyone to have a higher quality and more meaningful experience. Our current scholar population is approximately 33% white, 23% Middle Eastern, 20% Hispanic and Latino, 12% African American, 6% Asian, and 6% other, with approximately half of our scholars coming from lower income and half from middle income homes.

Valor envisions a world where all children have equitable access to an education that prepares them to live inspired and purposeful lives. We strongly believe that engaging students – and the community that supports them – in comprehensive human development, including attending to their character development, is essential to their, and our collective success. Learn more at https://valorcollegiate.org.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2022 enroll is projected to be 1,839 students across the network. The Organization anticipates an increase in total Basic Education Program funding as a result of the historical trends for the per pupil payment. The Organization doesn't anticipate any significant student or faculty growth, as it has now reached full enrollment capacity.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students' parents, Davidson County taxpayers, donors, creditors, authorities over grant funding, and agencies tasked with oversight of Metropolitan Nashville Public Schools with a general overview of the Organization's finances and to demonstrate the Organization's accountability of the money it receives. If you have questions about this report or need additional financial information, contact the Organization's Chief Operating Officer, Thomas Branch, at Valor Collegiate Academies, 4527 Nolensville Pike, Nashville, TN 37211, by telephone at (615) 823-7982, or email at tbranch@valorcollegiate.org.

VALOR COLLEGIATE ACADEMIES
STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 9,102,645
Accounts receivable	925,688
Prepaid expenses	103,284
Restricted cash and cash equivalents	331,546
Capital assets, net	34,330,572
Net pension assets	2,854,371
TCRS Stabilization Reserve Trust	360,020
Total Assets	48,008,126
Deferred Outflows of Resources:	
Deferred outflows related to pension	1,019,112
Total Deferred Outflows of Resources	1,019,112
LIABILITIES AND NET POSITION	
Accounts payable	547,187
Accrued expenses	694,419
Long-term debt, due within one year	1,697,049
Long-term debt, due in more than one year	28,664,425
Total Liabilities	31,603,080
Deferred Inflows of Resources:	
Deferred inflows related to pension	3,397,146
Total Deferred Inflows of Resources	3,397,146
Net Position:	
Net investment in capital assets	4,300,644
Restricted	3,545,937
Unrestricted	6,180,431
Total Net Position	$ 14,027,012

The accompanying notes to the financial statements are an integral part of this statement.

VALOR COLLEGIATE ACADEMIES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

		Functions		
	Total	Student Instruction and Services	Administration	Fundraising
Expenses:				
Salaries, wages, and benefits	$ 15,137,533	$ 12,510,531	$ 2,563,455	$ 63,547
Contracted services	2,530,965	1,266,318	1,264,647	-
Interest expense	1,547,407	1,454,672	92,735	-
Supplies and materials	1,731,321	1,475,362	255,959	-
Depreciation	1,396,064	1,386,356	9,708	-
Equipment and maintenance	658,127	615,562	42,565	-
Insurance	170,335	43,626	125,645	1,064
Other	115,245	58,930	44,556	11,759
Total Expenses	23,286,997	18,811,357	4,399,270	76,370
Program Revenues:				
Program specific operating grants and contributions	3,001,316	3,001,316	-	-
Capital grants and contributions	763,000	763,000	-	-
Charges for services	290,942	290,942	-	-
Net Program Expenses	19,231,739	$ 14,756,099	$ 4,399,270	$ 76,370
General Revenues:				
District funding	21,210,963			
Contributions	4,040,372			
Other income	70,342			
Total General Revenues	25,321,677			
Change in net position	6,089,938			
Net position, beginning of year	7,937,074			
Net position, end of year	$ 14,027,012			

VALOR COLLEGIATE ACADEMIES

BALANCE SHEET

JUNE 30, 2021

	General Fund
ASSETS	
Cash and cash equivalents	$ 9,102,645
Accounts receivable	925,688
Due from other funds	548,578
Other current assets	103,284
Restricted cash	331,546
TCRS Stabilization Reserve Trust	360,020
Total Assets	**$ 11,371,761**
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 547,187
Accrued expenses	694,419
Due to other funds	548,578
Total Liabilities	1,790,184
Fund Balances:	
Nonspendable	103,284
Restricted	691,566
Unassigned	8,786,727
Total Fund Balances	9,581,577
Total Liabilities and Fund Balances	**$ 11,371,761**

The accompanying notes to the financial statements are an integral part of this statement.

VALOR COLLEGIATE ACADEMIES

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2021

Total Governmental Fund Balances	$ 9,581,577
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet.	34,330,572
Net pension assets are not current financial resources and are, therefore, not reported in the governmental fund balance sheet.	2,854,371
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:	
Deferred outflows of resources related to pensions	1,019,112
Deferred inflows of resources related to pensions	(3,397,146)
Long-term debt reported in governmental activities is not reported in the governmental fund balance sheet.	(30,361,474)
Net Position of Governmental Activities	$ 14,027,012

VALOR COLLEGIATE ACADEMIES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	General Fund
Program Revenues:	
Federal and state grants	$ 3,764,316
Charges for services	290,942
General Revenues:	
Contributions	4,040,372
District funding	21,210,963
Other income	70,342
Total Revenues	29,376,935
Expenditures:	
Current:	
Student instruction and services	16,346,187
Administration	4,370,166
Fundraising	85,538
Debt Service:	
Principal	4,012,066
Interest	1,547,410
Capital outlays	1,674,296
Total Expenditures	28,035,663
Other Financing Sources:	
Issuance of debt	4,282,629
Change in fund balances	5,623,901
Fund balances, beginning of year	3,957,676
Fund balances, end of year	$ 9,581,577

VALOR COLLEGIATE ACADEMIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Total Governmental Funds	$	5,623,901
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays, reported as expenditures in governmental funds are shown as capital assets in the statement of net position.		1,674,296
Depreciation expense on governmental capital assets is included only in the governmental activities in the statement of activities.		(1,396,064)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities.		(4,282,629)
Principal payments on long-term debt is reported as an expenditure in governmental funds, but the payments reduce long-term liabilities in the statement of net position.		4,012,066
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Pension expense		458,368
Change in Net Position of Governmental Activities	$	6,089,938

Note 1—Reporting entity

These financial statements present the charter schools managed by Valor Collegiate Academies, a Charter Management Organization. For Tennessee reporting purposes, a Charter School Management Organization is defined as a nonprofit entity that operates multiple charter schools at least one of which is in Tennessee. The charter schools included in the accompanying financial statements are Valor Collegiate Flagship ("Flagship") and Valor Collegiate Voyager ("Voyager") (collectively, the "Organization").

Note 2—Summary of significant accounting policies

The significant accounting policies and procedures followed by the Organization are as follows:

Organization – Valor Collegiate Academies currently operates three charter schools within Davidson County, Tennessee: Flagship, Voyager, and College Prep. Pursuant to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the "Act"), each school has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education.

Valor Collegiate Academies entered into a Charter School Agreement with the Metropolitan Nashville Board of Education effective July 1, 2014, to operate Flagship as a charter school in Nashville, Tennessee. The school began classes in August 2014 and currently enrolls students in grades five through eight. Per Flagship's charter agreement, enrollment in the school is open to any student within the Metropolitan Nashville Public Schools ("MNPS") System who resides in Davidson County.

Under the above agreement, Valor Collegiate Academies also operates College Prep. The school began classes in August 2018 and currently enrolls students in grades nine through twelve. Per the charter agreement, enrollment in the school is open to any student within the MNPS System who resides in Davidson County.

Valor Collegiate Academies entered into a Charter School Agreement with the Metropolitan Nashville Board of Education effective January 16, 2015, to operate Voyager as a charter school in Nashville, Tennessee. The school began classes in August 2015 and currently enrolls students in grades five through eight. Per Voyager's charter agreement, enrollment in the school is open to any student within the MNPS System who resides in Davidson County.

Basis of Accounting – As required by the state of Tennessee *Audit Manual*, issued by the Tennessee Comptroller of the Treasury, the Organization accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Organization, in accordance with governmental accounting standards, is considered a special purpose governmental entity that is engaged in governmental activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Basic Financial Statements – The Organization's basic financial statements include both government-wide (reporting the Organization as a whole) and fund financial statements (reporting the Organization's major funds). The Organization's primary activities are all considered to be governmental activities and are classified as such in the government-wide and fund financial statements.

Note 2—Summary of significant accounting policies (continued)

Government-Wide Financial Statements – The government-wide financial statements focus on the sustainability of the Organization as an entity and the change in the Organization's net position resulting from the current-year's activities.

In the government-wide statement of net position, activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The statement of net position presents the financial condition of the Organization at year-end. Governmental accounting standards require the classification of net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

> *Net Investment in Capital Assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances (if any) of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investments in capital assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
>
> *Restricted* – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted net position totaled $3,545,937 at June 30, 2021, and consists of restricted cash, net pension assets, and the Tennessee Consolidated Retirement System ("TCRS") Stabilization Reserve Trust.
>
> *Unrestricted* – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. When both restricted and unrestricted assets are available for use, it is the Organization's policy to utilize restricted assets first, then unrestricted assets as needed.

The government-wide statement of activities reports both the gross and net cost of the Organization's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program funding and donations to the general fund). The statement of activities reduces gross expenses by related function revenues, operating, and capital grants. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue. The Organization allocated indirect cost between functions.

Fund Financial Statements – The financial transactions of the Organization are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenses.

The emphasis on fund financial statements is on the major funds. Nonmajor funds by category are summarized in a single column. Governmental accounting standards set forth minimum criteria for the determination of major funds. The Organization's major funds represent the operations of the individual schools in aggregate which has been reported as a general fund. This fund accounts for all financial resources of the Organization, except those required to be accounted for in another fund. All of the Organization's financial resources were accounted for in this general fund as of June 30, 2021.

Note 2—Summary of significant accounting policies (continued)

The Organization's general fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred under accrual accounting.

The governmental funds' focus is upon the determination of financial resources, their balance, sources, and use, rather than upon net income. The Organization follows governmental accounting standards that classify governmental fund balances as: nonspendable, restricted, committed, assigned, or unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is the Organization's policy to spend restricted funds first, then unrestricted funds. When an expenditure has been incurred for purposes in which multiple categories of unrestricted funds are available, it is the Organization's policy to spend funds in the following order: committed, then assigned, and lastly unassigned funds. The classifications of fund balances are defined as follows:

> *Nonspendable* – This classification consists of fund balances that cannot be spent because they are either not in spendable form, for example, noncash amounts that are not expected to be converted to cash, or the funds are legally or contractually required to be maintained intact.
>
> *Restricted* – This classification consists of fund balances with external constraints on use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
>
> *Committed* – This classification consists of fund balances that can only be used for specific purposes established by formal action of the Organization's Board of Directors, its highest level of decision-making authority. Such commitments should include contractual obligations of fund assets. Fund balance commitments can only be removed by the same process of the same body employed to previously commit those amounts.
>
> *Assigned* – This classification consists of all fund balances that are not in the general fund or classified as nonspendable, restricted, or committed. In addition, general fund balances that the Organization intends to use for specific purposes are also classified as assigned. The Organization gives the authority to assign amounts to specific purposes to the Organization's Founder and CEO and personnel under the supervision of the Founder and CEO tasked with financial recording responsibilities.
>
> *Unassigned* – This classification consists of all fund balances in the general fund that are not reported as nonspendable, restricted, committed, or assigned.

Functional Allocation of Expenses – The costs of providing various programs and other services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs, general and administrative, and fundraising, based on estimates made by management.

Cash and Cash Equivalents – The Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of June 30, 2021, the Organization's cash and cash equivalents were deposited in two financial institutions.

Note 2—Summary of significant accounting policies (continued)

Restricted assets also consist of amounts held in a pension stabilization trust by the TCRS for the benefit of the discretely presented Organization's Teacher Retirement Plan. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to the school system in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of the Organization to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the Organization has not withdrawn any funds from the trust to pay pension cost. Trust documents provide that the funds are not subject to the claims of general creditors of the Organization.

Accounts Receivable – Accounts receivable represent amounts due from grants or funding which have been approved but not received. All receivables are reported at estimated collectible amounts. Receivables balance as of June 30, 2021 totaled $925,688. Management has determined that all receivable balances are collectible and, therefore, no allowance has been recorded as of June 30, 2021.

Capital Assets – Property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures which materially extend the economic lives, change capacities, or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or over the term of the lease for leasehold improvements, if less. The Organization follows the practice of capitalizing all expenditures for property and equipment items over $5,000.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future year and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Organization reports the following deferred outflow of resources related to the pensions: Contributions made subsequent to the pension measurement date, difference between expected and actual experience, difference between projected and actual investment earnings, and changes in proportionate share of the net pension (asset) liability.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future year and so will not be recognized as an inflow of resources (revenue) until that time. The Organization also reports the following deferred inflow of resources related to pensions: differences between expected and actual experience and differences between projected and actual investment earnings.

Grants – The Organization received federal financial assistance through state agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial position of the Organization as of June 30, 2021.

Income Taxes – The Organization is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes.

Note 2—Summary of significant accounting policies (continued)

Pensions – The Organization participates in the following three defined benefit pension plans:

Certified Employees – Tennessee Consolidated Retirement System (TCRS) collectively, the (TCRS Plans)

- Teacher Legacy Pension Plan
- Teacher Retirement Plan

Non-Certified Employees – Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government")

- Metro Pension Plan of the Metropolitan Employees Benefit Trust (the "Metro Plan")

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS and the Metropolitan Government. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan, the Teacher Retirement Plan, and the Metro Pension Plan. Investments are reported at fair value.

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Budgetary Comparison Statement – The Organization is not required to adopt a legally binding budget; therefore, no budgetary comparison statement of the General Fund has been presented.

Fair Value of Financial Instruments – The carrying value of cash and cash equivalents, receivables, accounts payable, and accrued liabilities approximate fair value because of the short maturity of these instruments.

Subsequent Events – The Organization has evaluated subsequent events for potential recognition and disclosure through December 17, 2021, the date the financial statements were available to be issued.

Note 3—Capital assets

Capital assets consist of the following:

	June 30, 2020	Additions	Deletions	Transfers	June 30, 2021
Buildings and improvements	$ 32,055,013	$ 455,063	$ -	$ -	$ 32,510,076
Furniture and fixtures	835,843	-	-	-	835,843
Computer equipment	972,863	438,701	-	-	1,411,564
Land	3,695,000	-	-	-	3,695,000
Construction in progress	1,073,686	780,532	-	-	1,854,218
Autos and trucks	44,450	-	-	-	44,450
	38,676,855	1,674,296	-	-	40,351,151
Accumulated depreciation	(4,624,515)	(1,396,064)	-	-	(6,020,579)
Capital assets, net	$ 34,052,340	$ 278,232	$ -	$ -	$ 34,330,572

Depreciation expense was charged to functions as follows:

Governmental activities:	
Student instruction and services	$ 1,386,356
Administration	9,708
	$ 1,396,064

Note 4—Long-term debt

In June 2015, the Organization entered into a loan agreement with Charter School Growth Fund. Under terms of the loan, the Organization received $100,000 to be used for general support and management of the Organization. The note bears interest at 1.00% per annum. The entire principal amount plus any accrued and unpaid interest is due on June 17, 2022; however, under terms of the loan, the note may be forgiven provided the Organization meets certain milestones.

In February 2015, the Organization entered into a loan agreement with Self-Help New Markets XIV, LLC for the purchase of certain real estate. The agreement is secured by a first priority lien on the Organization's real estate and other personal property related to Flagship. Additionally, the agreement contains restrictive covenants. At June 30, 2021, management believes they are in compliance with these covenants. The note required monthly interest payments at 4.43% through August 2015. Commencing on September 1, 2015, the note requires monthly principal and interest payments of $22,540 with any remaining principal and accrued and unpaid interest due on December 1, 2022. Amounts outstanding under this note totaled $3,464,205 at June 30, 2021.

Note 4—Long-term debt (continued)

In February 2016, the Organization entered into a loan agreement with Self-Help Ventures Fund for the purchase of certain real estate and construction of property. The agreement is secured by a first priority lien on the Organization’s real estate and other personal property related to Voyager. Additionally, the agreement contains restrictive covenants. At June 30, 2021, management believes they are in compliance with these covenants. The funds were placed in a disbursement account by the lender and released as requested for payment of construction progress. The loan is composed of two tranches, Tranche A and Tranche B. Tranche A represents the portion of the loan equal to $6,300,000 and Tranche B represents the remainder of the loan, up to the maximum loan amount of $10,080,000. The note required monthly interest payments at 4.00% and 6.26% for Tranche A and Tranche B, respectively, through February 2017. Commencing March 1, 2017, the note required monthly principal and interest payments of $58,434 with any remaining principal and accrued and unpaid interest due on January 1, 2023. Amounts outstanding under this note totaled $9,070,386 at June 30, 2021.

In October 2017, the Organization entered into a loan agreement with Self-Help New Markets XIV, LLC (“SHNM”) and Self-Help Credit Union (“SHCU”) for the construction of property. The agreement is secured by a first priority lien on the premises and first priority perfected lien on all personal property of the Organization related to College Prep. Additionally, the agreement contains restrictive covenants. At June 30, 2021, management believes they are in compliance with these covenants. The funds were placed in a disbursement account by the lender and released as requested for payment of construction progress. The loan is composed of advances, Loan A and Loan B. Loan A represents the portion of the loan equal to $1,275,000 and is advanced from SHNM. Loan B represents the remaining portion of the loan up to $9,880,000 and is advanced from SHCU. The note required monthly interest payments at 4.35% and 5.85% for Loan A and Loan B, respectively, through November 2018. Commencing December 1, 2018, the note required monthly principal and interest payments based upon an amortization schedule of 25 years with any remaining principal and accrued and unpaid interest due on February 1, 2023. The loan had an effective blended rate of 4.54% at June 30, 2021. Amounts outstanding under this note totaled $10,575,388 at June 30, 2021.

In October 2017, the Organization entered into a loan agreement with Charter School Growth Fund Facility Fund III LLC for the development of a new public school facility. The note ranks junior to all of the Organization’s deposit accounts, senior debt obligations, amounts owed to general trade creditors, and all other unconditional, unsecured, senior and subordinated debt obligations. Additionally, the agreement contains restrictive covenants. At June 30, 2021, management believes they are in compliance with these covenants. The note requires a principal payment of $1,500,000 plus all unpaid accrued interest at 2.75% on October 31, 2020 with the remaining balance and accrued unpaid interest due on February 1, 2023. Amounts outstanding under this note totaled $1,500,000 at June 30, 2021.

In September 2019, the Organization entered into a loan agreement with SHCU for the purchase of real property. The agreement is secured by a first priority lien on the premises. The note requires monthly interest payments at 4.50% through September 2020. Commencing on October 1, 2020, the note requires monthly principal and interest payments based on an amortization schedule of 20 years with any remaining principal and accrued and unpaid interest due on December 1, 2022. Amounts outstanding under this note totaled $2,175,172 at June 30, 2021.

In October 2020, the Organization entered into a loan agreement with Pinnacle Bank. Under terms of the loan, the Organization received $1,600,000. Commencing on November 15, 2020, the note requires monthly interest payments of 4.00% with any remaining principal and accrued and unpaid interest due on November 25, 2022. Amounts outstanding under this note totaled $1,600,000 at June 30, 2021.

Note 4—Long-term debt (continued)

In May 2021, the Organization entered into a loan agreement with Pinnacle Bank. Under terms of the loan, the Organization received $1,876,323. Commencing on June 27, 2021, the note requires monthly interest payments of 4.00% with any remaining principal and accrued and unpaid interest due on November 25, 2022. Amounts outstanding under this note totaled $1,876,323 at June 30, 2021.

Future principal payments on the notes are as follows at June 30, 2021:

Years Ending June 30,	Principal	Interest	Total
2022	$ 1,697,049	$ 1,365,088	$ 3,062,137
2023	28,664,425	829,040	29,493,465
	$ 30,361,474	$ 2,194,128	$ 32,555,602

Long-term debt activity for the year ended June 30, 2021 is as follows:

	June 30, 2020	Additions	Reductions	June 30, 2021	Current
Charter School Growth Fund	$ 3,100,000	$ -	$ 1,500,000	$ 1,600,000	$ 100,000
Self-Help New Markets XIV, LLC	15,780,853	806,306	372,394	16,214,765	1,334,590
Self-Help Ventures Fund	9,319,091	-	248,705	9,070,386	262,459
Nonprofit Finance Fund	1,890,967	-	1,890,967	-	-
Pinnacle Bank Loans	-	3,476,323	-	3,476,323	-
	$ 30,090,911	$ 4,282,629	$ 4,012,066	$ 30,361,474	$ 1,697,049

Note 5—Concentrations

The Organization received 72% of its funding for operations from MNPS based on the state of Tennessee’s Basic Education Program (“BEP”). BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2021 was $21,210,963.

Note 6—Retirement plans

Teacher Legacy Pension Plan of TCRS

General Information about the Pension Plan

Plan Description – The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Teachers employed by the Organization with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS.

The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies ("LEA") after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit, or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLA") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Organization for the year ended June 30, 2021 to the Teacher Legacy Pension Plan were $197,525 which is 10.63% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS (continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets) – At June 30, 2021, the Organization reported a liability (asset) of ($380,021) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. The Organization's proportion of the net pension liability (asset) was based on the Organization's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2020, the Organization's proportion was 0.049834%. The proportion measured as of June 30, 2019 was 0.044312%.

Pension Expense – For the year ended June 30, 2021, the Organization recognized pension expense of $34,820.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2021, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 14,447	$ 182,707
Changes in assumptions	34,523	-
Net difference between projected and actual earnings on pension plan investments	84,874	-
Changes in proportion of net pension liability (asset)	41,542	16,210
LEAs contributions subsequent to the measurement date of June 30, 2020	197,525	-
	$ 372,911	$ 198,917

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS (continued)

The Organization's employer contributions of $197,525, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2022	$ (64,896)
2023	(12,447)
2024	(2,411)
2025	56,223
	$ (23,531)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
COLA	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the table on the following page.

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS (continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following table presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25%, as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability (asset)	$ 1,181,857	$ (380,021)	$ (1,675,184)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan – At June 30, 2021, the Organization reported no payable for outstanding amounts of contributions to the pension plan required at the year ended June 30, 2021.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS

General Information about the Pension Plan

Plan Description – The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Teachers employed by the Organization with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS.

The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with give years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2021, to the Teacher Retirement Plan were $123,593, which is 2.03% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS (continued)

Pension Liabilities (Assets) – At June 30, 2021, the Organization reported a liability (asset) of ($219,440) for its proportionate share of the net pension liability (asset). The net pension asset was measured as of June 30, 2020, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. The Organization's proportion of the net pension liability (asset) was based on the Organization's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2020, the Organization's proportion was 0.385902%. The proportion measured as of June 30, 2019 was 0.373073%.

Pension Expense – For the year ended June 30, 2021, the Organization recognized pension expense of $83,513.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2021, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 8,152	$ 54,991
Net difference between projected and actual earnings on pension plan investments	17,876	-
Changes in assumptions	6,881	-
Changes in proportion of net pension liability (asset)	-	54,839
to the measurement date of June 30, 2020	123,593	-
	$ 156,502	$ 109,830

The Organization's employer contributions of $123,593 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows in the table on the following page.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS (continued)

Years Ending June 30,		
2022	$	(7,014)
2023		(4,431)
2024		(3,114)
2025		(2,739)
2026		(8,794)
Thereafter		(50,829)
	$	(76,921)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
COLA	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in table on the following page.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS (continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 7.25% The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25% as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability (asset)	$ 170,688	$ (219,440)	$ (507,012)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan – At June 30, 2021, the Organization reported no payable for outstanding amounts of contributions to the pension plan required at the year ended June 30, 2021.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS (continued)

Defined Contribution Portion of the Plan – A portion of the Teacher Retirement Plan is a defined contribution plan administered by Great-West Life & Annuity Insurance Company. Under the defined contribution portion of this plan, employees can contribute 2.00% of their salary, which employees can opt out of if they choose, and the Organization is required to contribute 5.00% of active member's annual payroll. For the year ended June 30, 2021, employer contributions totaled $305,924, which is 5.00% of covered payroll. Employees are immediately vested in the plan.

Metro Plan

General Information about the Pension Plan

Plan Description – The Metro Plan is established under the authority of the Metropolitan Charter, Article XIII and effective April 1, 1963. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. The board is composed of 10 members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publicly available comprehensive annual financial report of the Metropolitan Government. That report may be obtained at www.nashville.gov.

Benefits Provided – As of July 1, 1995, Division B of the Metro Plan was established for all non-certified employees of the Metropolitan Nashville Public Schools, including charter schools and all other Metro Government employees. Employees with an effective hire date of July 1, 1995, or later are only eligible to participate in Division B of the Metro Plan.

Normal retirement for employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes five years of credited employee service. The lifetime monthly benefit is calculated as ½ of the sum of 1.75% of average earnings based upon the previous 60 consecutive months of credit service which product the highest earnings. Benefits fully best on completing 10 years of service for employees and nonvested employees hired or rehired on or after January 1, 2013. An early retirement option, with reduced benefits, is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 and after the completion of 10 years of credited employee service.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefits to any plan members or beneficiaries.

Contributions – The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 12.34% for the non-certified employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government employees. Employer contributions for the year ended June 30, 2021 to the Metro Plan were $304,296 which is 12.34% of covered payroll.

Note 6—Retirement plans (continued)

<u>Metro Plan</u> (continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities – At June 30, 2021, the Organization reported an asset of $2,254,910 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial value as of July 1, 2020. The Organization's proportion of the net pension asset was based on the Organization's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2021, the Organization's proportion was .412984%. The proportion measured as of June 30, 2020 was 0.331511%.

Pension Expense – For the year ended June 30, 2021, the Organization recognized pension expense of $343,789.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2021, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 185,403	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,088,399
Changes in assumptions	304,296	-
	$ 489,699	$ 3,088,399

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2022	$ (753,783)
2023	(662,653)
2024	(593,650)
2025	(650,242)
2026	43,333
Thereafter	18,295
	$ (2,598,700)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Note 6—Retirement plans (continued)

Metro Plan (continued)

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2020. Actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
COLA	1.25%

Mortality rates are customized based on the 115% RP-2014 Blue Collar Mortality Table for Males and Females, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period 2012 to 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class from historical returns and consensus expectations of future returns. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Metro Plan's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.10%	24%
International equity	5.30%	16%
Private equity	7.90%	10%
Equity hedge	7.90%	10%
Real estate	4.90%	20%
Fixed income	2.30%	10%
Fixed income alternatives	2.70%	10%
		100%

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 6—Retirement plans (continued)

<u>Metro Plan</u> (continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following table presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25% as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability (asset)	$ (728,851)	$ (2,254,910)	$ (3,638,959)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued Metropolitan Government financial report.

Payable to the Pension Plan – At June 30, 2021, the Organization reported no payable for outstanding amounts of contributions to the pension plan required at the year ended June 30, 2021.

<u>TCRS Stabilization Trust</u>

Legal Provisions – The Organization is a member of the TCRS Stabilization Reserve Trust. The school department has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated , Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the Organization.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Organization may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances – Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust ("TRGT"). The TRGT is not registered with the Securities and Exchange Commission as an investment company. The state of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Note 6—Retirement plans (continued)

TCRS Stabilization Trust (continued)

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2021, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or *similar* assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the net asset value (“NAV”) per share have no readily determinable fair value and have been determined to be calculated consistent with the Federal Accounting Standards Board principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan’s custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes as represented in the table on the following page.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes, and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Note 6—Retirement plans (continued)

<u>TCRS Stabilization Trust</u> (continued)

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute, or its equivalent, every three years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds, and real estate funds that report using U.S. GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-U.S. GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2021, the Organization had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at fair value:			
U.S. equity	N/A	N/A	$ 111,606
Developed Market International Equity	N/A	N/A	50,403
Emerging Market International Equity	N/A	N/A	14,401
U.S. fixed income	N/A	N/A	72,004
Real estate	N/A	N/A	36,002
Short-term securities	N/A	N/A	3,600
Investments at amortized cost using NAV:			
Private Equity and Strategic Lending	N/A	N/A	72,004
			$ 360,020

Note 6—Retirement plans (continued)

<u>TCRS Stabilization Trust</u> (continued)

		Fair Value Measurements Using			Amortized Cost
Investment by Fair Value Level	Fair Value 6/30/2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. equity	$ 111,606	$ 111,606	$ -	$ -	$ -
Developed Market International Equity	50,403	50,403	-	-	-
Emerging Market International Equity	14,401	14,401	-	-	-
U.S. fixed income	72,004	-	72,004	-	-
Real estate	36,002	-	-	36,002	-
Short-term securities	3,600	-	3,600	-	-
Private Equity and Strategic Lending	72,004	-	-	-	72,004
	$ 360,020	$ 176,410	$ 75,604	$ 36,002	$ 72,004

Risks and Uncertainties – The trust's investments include various types of investment funds, which in turn invest in any combination of stock, bonds, and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Organization does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Organization does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Organization's investment in a single issuer. The Organization places no limit on the amount the Organization may invest in one issuer.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Organization to pay retirement benefits of the Organization's employees.

For further information concerning the Organization's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf.

Note 7—Restricted cash

Restricted cash totaling $331,546 at June 30, 2021, related to proceeds received under the Organization's notes payable to be used exclusively for ongoing construction and renovations of the Organization's schools.

Note 8—Risk of loss

Cash and Cash Equivalents – The Organization does not have formal deposit policies that address its exposure to custodial credit risk; however, it does limit deposits to those instruments allowed by applicable state laws. As of June 30, 2021, all bank deposits were fully collateralized and insured by institutions insured by the Federal Deposit Insurance Corporation.

Insurance – The Organization is exposed to various risks of loss similar to a commercial business, such as general liability, errors and omissions, and other situations. The Organization purchases commercial insurance for the significant risks of loss. Settled claims have not exceeded the insurance coverage limits during the Organization's operation.

REQUIRED SUPPLEMENTARY INFORMATION

VALOR COLLEGIATE ACADEMIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – TEACHER LEGACY PENSION PLAN OF TCRS

FOR THE SEVEN FISCAL YEARS

	2014	2015	2016	2017	2018	2019	2020
Valor Collegiate Academy's proportion of the net pension liability (asset)	0.000000%	0.005938%	0.014077%	0.026887%	0.035944%	0.043120%	0.049834%
Valor Collegiate Academy's proportionate share of the net pension liability (asset)	$ -	$ 2,433	$ 87,972	$ (8,799)	$ (126,483)	$ (455,607)	$ (380,021)
Valor Collegiate Academy's covered payroll	$ -	$ 222,306	$ 508,144	$ 950,458	$ 1,204,092	$ 1,485,847	$ 1,658,608
Valor Collegiate Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	1.09%	17.31%	(0.93%)	(10.50%)	(30.66%)	(22.91%)
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF CONTRIBUTIONS –
TEACHER LEGACY PENSION PLAN OF TCRS

FOR THE EIGHT FISCAL YEARS

	2014	2015	2016	2017	2018	2019	2020	2021
Contractually required	$ -	$ 20,096	$ 45,936	$ 85,922	$ 114,284	$ 155,419	$ 176,310	$ 197,525
Contribution in relation to the contractually required contribution	-	20,096	45,936	85,922	114,284	155,419	176,310	197,525
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Valor Collegiate Academy's covered payroll	$ -	$ 222,306	$ 508,144	$ 950,458	$ 1,204,092	$ 1,485,847	$ 1,658,608	$ 1,858,184
Contributions as a percentage of Valor Collegiate Academy's covered payroll	0.00%	9.04%	9.04%	9.04%	9.49%	10.46%	10.63%	10.63%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – TEACHER RETIREMENT PLAN OF TCRS

FOR THE SIX FISCAL YEARS

	2015	2016	2017	2018	2019	2020
Valor Collegiate Academy's proportion of the net pension liability (asset)	0.085807%	0.215182%	0.226226%	0.285716%	0.373073%	0.385902%
Valor Collegiate Academy's proportionate share of the net pension liability (asset)	$ (3,525)	$ (22,401)	$ (59,685)	$ (129,580)	$ (210,595)	$ (219,440)
Valor Collegiate Academy's covered payroll	$ 182,043	$ 946,813	$ 1,484,814	$ 2,551,349	$ 3,947,873	$ 4,869,523
Valor Collegiate Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94%)	(2.37%)	(4.02%)	(5.08%)	(5.33%)	(4.51%)
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%	116.52%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF CONTRIBUTIONS –
TEACHER RETIREMENT PLAN OF TCRS

FOR THE SEVEN FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021
Contractually required	$ 4,551	$ 23,701	$ 59,392	$ 40,717	$ 76,589	$ 98,856	$ 123,593
Contribution in relation to the contractually required contribution	7,282	37,872	59,392	99,873	76,589	98,856	123,593
Contribution deficiency (excess)	$ (2,731)	$ (14,172)	$ -	$ (59,156)	$ -	$ -	$ -
Valor Collegiate Academy's covered payroll	$ 182,043	$ 946,813	$ 1,484,814	$ 2,551,349	$ 3,947,873	$ 4,869,523	$ 6,088,325
Contributions as a percentage of Valor Collegiate Academy's covered payroll	4.00%	4.00%	4.00%	3.91%	1.94%	2.03%	2.03%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Changes of assumptions . In 2017, the following assumptions were changed: decreased inflation reate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

VALOR COLLEGIATE ACADEMIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – METRO PLAN

FOR THE SEVEN FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021
Valor Collegiate Academy's proportion of the net pension liability (asset)	0.000000%	0.001984%	0.396137%	0.319322%	0.304783%	0.331511%	0.412984%
Valor Collegiate Academy's proportionate share of the net pension liability (asset)	$ -	$ 93,043	$ 161,799	$ 260,591	$ 373,435	$ 718,719	$ (2,254,910)
Valor Collegiate Academy's covered payroll	$ 297,615	$ 888,614	$ 1,457,164	$ 1,023,971	$ 1,619,028	$ 1,954,554	$ 2,340,738
Valor Collegiate Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	10.47%	11.10%	25.45%	23.07%	36.77%	-96.33%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%	97.45%	96.37%	93.79%	115.75%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF CONTRIBUTIONS –
METRO PLAN

FOR THE SEVEN FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021
Contractually required	$ 53,532	$ 137,824	$ 179,814	$ 126,358	$ 199,788	$ 241,193	$ 304,296
Contribution in relation to the contractually required contribution	53,532	137,824	179,814	126,358	199,788	241,193	304,296
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Valor Collegiate Academy's covered payroll	$ 297,615	$ 888,614	$ 1,457,164	$ 1,023,971	$ 1,619,028	$ 1,954,562	$ 2,340,738
Contributions as a percentage of Valor Collegiate Academy's covered payroll	17.987%	15.510%	12.340%	12.340%	12.340%	12.340%	13.000%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

SUPPLEMENTARY INFORMATION

VALOR COLLEGIATE ACADEMIES
CONSOLIDATING BALANCE SHEET

JUNE 30, 2021

	Valor Collegiate Flagship	Valor Collegiate Voyager	Total General Fund
ASSETS			
Cash and cash equivalents	$ 6,267,131	$ 2,835,514	$ 9,102,645
Accounts receivable	637,332	288,356	925,688
Due from other funds	-	548,578	548,578
Other current assets	71,111	32,173	103,284
Restricted cash	228,268	103,278	331,546
TCRS Stabilization Reserve Trust	247,872	112,148	360,020
Total Assets	$ 7,451,714	$ 3,920,047	$ 11,371,761
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 376,736	$ 170,451	$ 547,187
Accrued expenses	478,104	216,315	694,419
Due to other funds	548,578	-	548,578
Total Liabilities	1,403,418	386,766	1,790,184
Fund Balances:			
Nonspendable	71,111	32,173	103,284
Restricted	476,140	215,426	691,566
Unassigned	5,501,045	3,285,682	8,786,727
Total Fund Balances	6,048,296	3,533,281	9,581,577
Total Liabilities and Fund Balances	$ 7,451,714	$ 3,920,047	$ 11,371,761

VALOR COLLEGIATE ACADEMIES

CONSOLIDATING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

JUNE 30, 2021

	Valor Collegiate Flagship	Valor Collegiate Voyager	Total General Fund
Program Revenues:			
Federal and state grants	$ 2,308,523	$ 1,455,793	$ 3,764,316
Charges for services	207,761	83,181	290,942
General Revenues:			
Contributions	2,781,781	1,258,591	4,040,372
District funding	14,628,984	6,581,979	21,210,963
Other income	48,430	21,912	70,342
Total Revenues	19,975,479	9,401,456	29,376,935
Expenditures:			
Current:			
Student instruction and services	11,120,584	5,225,603	16,346,187
Administration	2,977,531	1,392,635	4,370,166
Fundraising	57,140	28,398	85,538
Debt Service:			
Principal	3,290,166	721,900	4,012,066
Interest	1,064,021	483,389	1,547,410
Capital outlays	1,298,985	375,311	1,674,296
Total Expenditures	19,808,427	8,227,236	28,035,663
Other Financing Sources:			
Issuance of debt	3,537,592	745,037	4,282,629
Change in fund balances	3,704,644	1,919,257	5,623,901
Fund balances, beginning of year	2,343,652	1,614,024	3,957,676
Fund balances, end of year	$ 6,048,296	$ 3,533,281	$ 9,581,577

OTHER INFORMATION

VALOR COLLEGIATE ACADEMIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2021

Federal Grantor/State Grantor/ Program Title/Pass-through Grantor	Federal Assistance Listing Number	Contract Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Education:			
Title I Grants to Local Educational Agencies (Passed through Metro Nashville Public Schools)	84.010	None	$ 347,074
Supporting Effective Instruction State Grant (Passed through Metro Nashville Public Schools)	84.367	None	44,493
Special Education Grants to States (Passed through State of Tennessee Department of Education)	84.027	None	299,808
Total U.S. Department of Education			691,375
U.S. Department of Treasury			
COVID-19: Coronavirus Relief Funds (Passed through the State of Tennessee Department of Education)	21.019	None	156,403
U.S. Department of Agriculture:			
National School Lunch Program (Passed through State of Tennessee Department of Education)	10.555	None	177,385
School Breakfast Program (Passed through State of Tennessee Department of Education)	10.553	None	92,853
Total U.S. Department of Agriculture			270,238
Total Federal Awards			1,118,016
STATE FINANCIAL ASSISTANCE			
State of Tennessee Department of Education:			
Basic Education Program - Capital Outlay	N/A	None	21,210,963
Facilities Grant	N/A	None	763,000
Total State Financial Assistance			21,973,963
Total Federal Awards and State Financial Assistance			$ 23,091,979

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal and state grant activity of Valor Collegiate Academies under programs of the federal and state governments for the year ended June 30, 2021 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Valor Collegiate Academies, it is not intended to and does not present the financial position, changes in net position, or cash flows of Valor Collegiate Academies.

Note 2—Indirect cost allocation

Valor Collegiate Academies did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3—Subrecipients

Valor Collegiate Academies did not pass through any funding to subrecipients during fiscal year 2021.

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Valor Collegiate Academies
Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the charter schools comprised of Valor Collegiate Flagship and Valor Collegiate Voyager, collectively "Valor Collegiate Academies" as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Valor Collegiate Academies' basic financial statements, and have issued our report thereon dated December 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valor Collegiate Academies' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valor Collegiate Academies' internal control. Accordingly, we do not express an opinion on the effectiveness of Valor Collegiate Academies' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valor Collegiate Academies' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
December 17, 2021

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Valor Collegiate Academies
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the charter schools comprised of Valor Collegiate Flagship and Valor Collegiate Voyager, collectively, "Valor Collegiate Academies" compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Valor Collegiate Academies' major federal programs for the year ended June 30, 2021. Valor Collegiate Academies' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Valor Collegiate Academies' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Valor Collegiate Academies' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Valor Collegiate Academies' compliance.

Opinion on Each Major Federal Program

In our opinion, Valor Collegiate Academies complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of Valor Collegiate Academies is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Valor Collegiate Academies' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Valor Collegiate Academies' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
December 17, 2021

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial Statements were prepared in accordance with GAAP:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	____ yes __X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes __X__ none reported
Noncompliance material to financial statements noted?	____ yes __X__ no

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	____ yes __X__ no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ yes __X__ none reported
Noncompliance material to federal awards?	____ yes __X__ no
Type of auditor's report issued on compliance for major federal programs:	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	____ yes __X__ no
Identification of major federal programs:	

Federal Assistance Listing Number	Name of Federal Program or Cluster
84.027	Special Education Grants to States

The threshold for distinguishing Types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes ____ no

Section II—Findings Relating to the Financial Statement Audit

None.

Section III—Findings and Questioned Costs for Major Federal Award Programs Audit

None.

VALOR COLLEGIATE ACADEMIES

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2021

None.